

-3-

5 Year Average

15.	Drugs	1991	1992	
	FPI 0635	216.7	235.3	.08583
	FPI 0636	164.1	172.2	.04936

$$\text{Proxy} = .8 (\text{Ethical Drugs}) + .2 (\text{Proprietary Drugs})$$

$$.8 (.08583) + .2 (.04936) =$$

$$.06866 + .00987 = .07853$$

$$\text{Proxy} = 1.0785$$

5 Year Average

16.	Laboratory Supplies	1991	1992	
	Chemical and Allied	(DRI, 4th Q., 1991, Table 5)		.022
	FPI 138 Glass Containers	126.0	129.1	.02460

$$\text{Proxy} = .4 (\text{Glass}) + .6 (\text{Chemicals}) =$$

$$.4 (.0246) + .6 (.022) =$$

$$.00984 + .01320 = .02304$$

$$\text{Proxy} = 1.0230$$

17. Radiology Supplies = DRI, 4th Q., 1991, Table 5
Photo Supplies - 1.4%

18. Medical/Surgical Supplies
CPI - Non-Prescription Medical Equipment and Supplies

5 Year Average

	1991	1992	
	147.6	154.9	.04946

$$\text{Proxy} = 1.0495$$

19. Repairs and Maintenance Supplies
CPI Repair and Maintenance Commodities

5 Year Average

	1991	1992	
	117.5	120.6	.02638

$$\text{Proxy} = 1.0264$$

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MAR 14 1993

20. Repair and Maintenance Services
CIT Repair and Maintenance Services

5 Year Average

	1991	1992	
	133.3	138.4	.03826
Proxy = 1.0383			

5 Year Average

21. Laundry and Linen Services	1991	1992	
ELS - CPI			
Laundry Other than Coin-Op	144.9	151.8	.04762
Textile House-Furnishing	120.4	123.3	.02409

$$\begin{aligned} \text{Proxy} &= .8 (\text{^ Laundry}) + .2 (\text{^ Textile}) \\ &= .8 (.04762) + .2 (.02409) \\ &= .03810 + .00482 = .04292 \\ \text{Proxy} &= 1.0429 \end{aligned}$$

22. Malpractice	1991	1992	
	36.328M	36.614M	.0079
Proxy = 1.0079			

23. Electricity - DRI, 4th Q., 1991 - Table 11
Middle Atlantic - 5.4%

24. Gas - DRI, 4th Q., 1991 - Table 12
Middle Atlantic - 4.9%

25. Oil - DRI, 4th Q., 1991 - Table 1
National - 3.2% (Utilities)

5 Year Average

26. Water	1991	1992	
	158.3	167.5	.058
Proxy = 1.058			

27. Major Moveable Equipment - DRI, 4th Q., 1991 - Table 5
Medical Instruments and Equipment - 2.7%

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28. Other Expense - Miscellaneous Expense
DRI, 4th Q., 1991 - Table 1
All other - 3.4%

29. Other Expense - Contracted Services
DRI, 4th Q., 1991 - Table 5
.5 (Business Services) + .5 (Computer Services)
.5 (4.3) + .5 (5.2)
 $2.15 + 2.6 = 4.75$
Proxy = 1.0475

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Supersedes TN

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MAR 12 1993

1.4 Summary of Hospital Rate Setting System Effective 3/12/93

The 1993 Medicaid Direct Patient Care DRG Rates were based on the 1992 Acute Care Ratesetting Methodology. For each hospital, operating cost(including administrative and most overhead, but excluding capital) from 1988 (base year) are allocated to revenue centers. These costs by center are then divided by the revenue from each center to determine a cost to charge ratio. The individual charges on each patient specific discharge record(UB-82) as reported by each hospital in 1988, are multiplied by those ratios to assign cost values to each record. The AP-DRG Version 8.0 Grouper is used to group the costed patient records for 1993 rates. A revised trim point file is calculated to reflect length of stay using the AP-DRG Version Grouper. The DRGs are then classified into the following groups: Ungroupable, Medical Denials, Same Day Surgery, Inliers, Low Length of Stay Outliers, High Length of Stay Outliers, and New Borns. New Borns are classified as a separate category because the base year 1988 data did not collect birthweight which is a requirement to group a Neonate with the Version 8 Grouper. Therefore in order to establish the Neonatal DRG, the 1989 patient level data is used since birthweight was collected.

The average DRG costs per hospital (Medicaid patients only) are equalized for labor market area differences. Graduate Medical Education cost is also removed. Non-physician costs are calculated by DRG for Inliers and on a per diem basis for Outliers.

Base Payment Rates are calculated as follows:

Inliers: The standard is the mean for Inlier DRGs.

Low Outliers: The lower of the standard base rate, or non-physician, hospital-specific average DRG cost per day multiplied by the associated acute patient days.

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High Outliers: The hospital-specific average cost per day (which is derived from only cost in excess of inliers) is multiplied by a patient's total length of stay and added to the standard rate by DRG.

If there is no hospital-specific amount available for any these calculations, because of none or very low hospital base volume in a DRG, the statewide average is substituted.

Transfer patients: Where a patient's discharge status is that of a transfer to another acute care facility(inpatient), the rate is limited to the lower of the inlier rate per case or the sum of the acute days multiplied by the low outlier per diem. The hospital which received the transfer patient (and the patient is subsequently a non-transfer status discharge) will receive the appropriate rate per case or per diem based upon DRG assignment and trim point status.

The base payment rates are then multiplied by the hospital's specific Unequalization Factor, GME Adjustment Factor, Physician Mark-Up, Resident payment rate, Operating Margin, and Mark-Up Factor(refer to Section 5.17).

The Mark-Up Factor is calculated as follows:

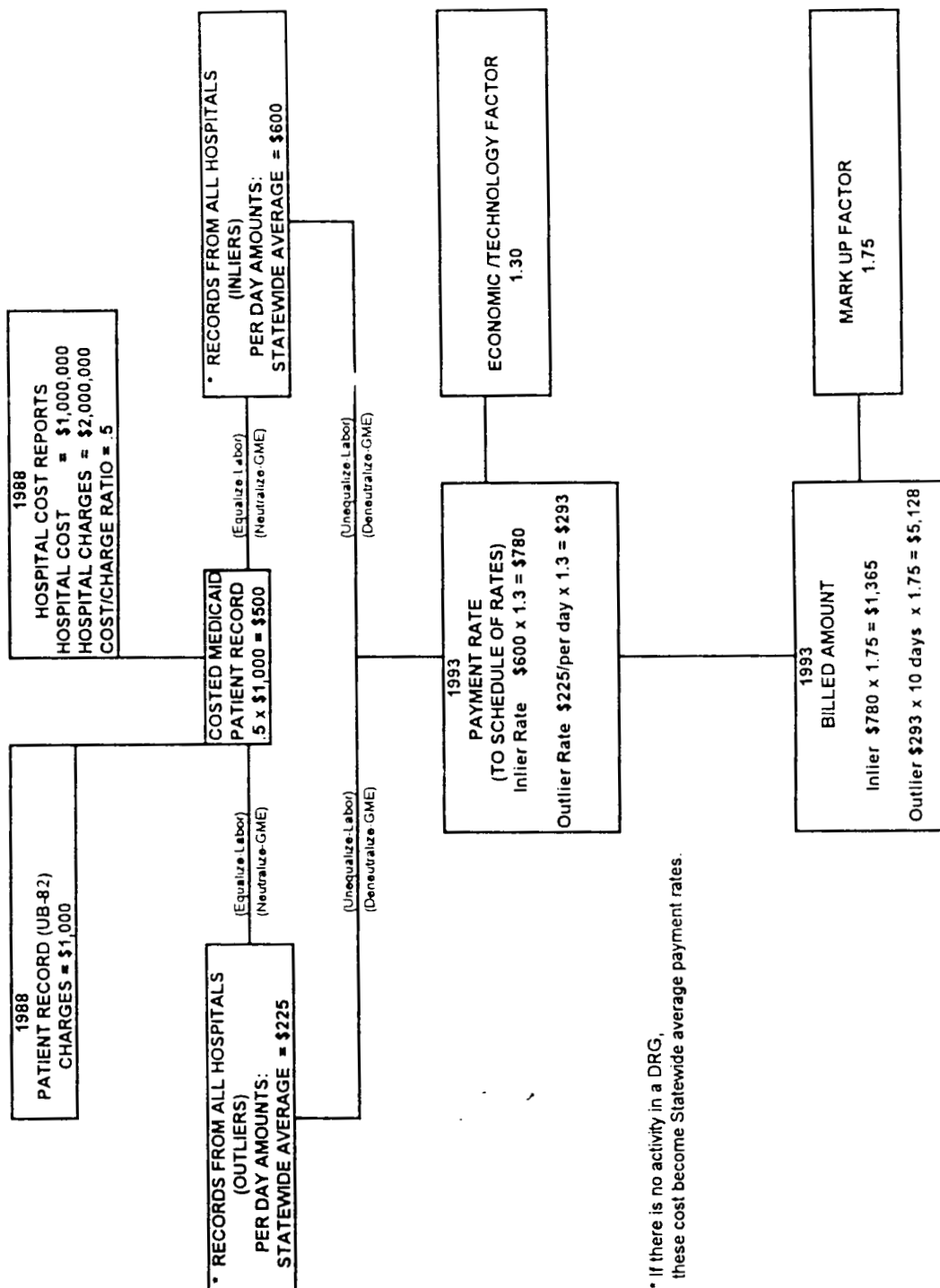
The Mark-Up Factor allows for adjustments for the remaining overhead cost(capital) and other non-DRG-specific adjustments such as N.J. Poison Information Adjustment. These elements are applied as an overall percentage mark-up to each payment rate on the schedule of rates for each hospital for the finalized rate.

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EXAMPLE RATE CALCULATION FOR DRG 1



* If there is no activity in a DRG,
these cost become Statewide average payment rates.

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MAJOR DIAGNOSTIC CATEGORY 01: DISEASES AND DISORDERS OF THE NERVOUS SYSTEM

- (001) CRANIOTOMY AGE >17 EXCEPT FOR TRAUMA
- (002) CRANIOTOMY AGE FOR TRAUMA AGE >17
- (004) SPINAL PROCEDURES
- (005) EXTRACRANIAL VASCULAR PROCEDURES
- (006) CARPAL TUNNEL RELEASE
- (007) PERIPH & CRANIAL NERVE & OTHER NERVOUS SYSTEM PROC W CC
- (008) PERIPH & CRANIAL NERVE & OTHER NERVOUS SYSTEM PROC W/O CC
- (009) SPINAL DISORDERS & INJURIES
- (010) NERVOUS SYSTEM NEOPLASMS W CC
- (011) NERVOUS SYSTEM NEOPLASMS W/O CC
- (012) DEGENERATIVE NERVOUS SYSTEM DISORDERS
- (013) MULTIPLE SCLEROSIS & CEREBELLAR ATAXIA
- (014) SPECIFIC CEREBROVASCULAR DISORDERS EXCEPT TIA
- (015) TRANSIENT ISCHEMIC ATTACK & PRECEREBRAL OCCLUSIONS
- (016) NON-SPECIFIC CEREBROVASCULAR DISORDERS W CC
- (017) NON-SPECIFIC CEREBROVASCULAR DISORDERS W/O CC
- (018) CRANIAL & PERIPHERAL NERVE DISORDERS W CC
- (019) CRANIAL & PERIPHERAL NERVE DISORDERS W/O CC
- (020) NERVOUS SYSTEM INFECTION EXCEPT VIRAL MENINGITIS
- (021) VIRAL MENINGITIS
- (022) HYPERTENSIVE ENCEPHALOPATHY
- (023) NON-TRAUMATIC STUPOR & COMA
- (024) SEIZURE & HEADACHE AGE >17 W CC
- (025) SEIZURE & HEADACHE AGE >17 W/O CC
- (026) SEIZURE & HEADACHE AGE <18
- (027) TRAUMATIC STUPOR & COMA, COMA >1 HR.
- (028) TRAUMATIC STUPOR & COMA, COMA <1 HR. AGE >17 W CC
- (029) TRAUMATIC STUPOR & COMA, COMA <1 HR. AGE >17 W/O CC
- (030) TRAUMATIC STUPOR & COMA, COMA <1 HR. AGE <18

OUTLIER TRIM POINT	
LOW	HIGH
5	65
3	61
4	62
2	31
1	8
4	79
2	13
2	29
3	47
2	24
2	40
2	27
3	45
2	24
3	38
2	22
2	30
2	18
1	37
2	16
2	23
2	25
2	26
2	13
1	9
2	30
2	36
2	14
1	9

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Attachment 4. 17. 1-174

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- (031) CONCUSSION AGE >17 W CC
- (032) CONCUSSION AGE >17 W/O CC
- (033) CONCUSSION AGE <18
- (034) OTHER DISORDERS OF NERVOUS SYSTEM W CC
- (035) OTHER DISORDERS OF NERVOUS SYSTEM W/O CC
- (468) EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS
- (476) PROSTATIC O.R. PROCEDURE UNRELATED TO PRINCIPAL
- (477) NON-EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL
- (736) DIAGNOSIS
- (737) TRACHEOSTOMY OTHER THAN FOR MOUTH, LARYNX OR PHARYNX
- (738) DISORDER
- (739) VENTRICULAR SHUNT REVISION AGE <18
- (739) CRANIOTOMY AGE <18 W CC
- (739) CRANIOTOMY AGE <18 W/O CC

MAJOR DIAGNOSTIC CATEGORY 02: DISEASES AND DISORDERS OF THE EYE

- (036) RETINAL PROCEDURES
- (037) ORBITAL PROCEDURES
- (038) PRIMARY IRIS PROCEDURES
- (039) LENS PROCEDURES WITH OR WITHOUT VITRECTOMY
- (040) EXTRAOCULAR PROCEDURES EXCEPT ORBIT AGE >17
- (041) EXTRAOCULAR PROCEDURES EXCEPT ORBIT AGE <18
- (042) INTRAOCULAR PROCEDURES EXCEPT RETINA, IRIS & LENS
- (043) HYPHEMA
- (044) ACUTE MAJOR EYE INFECTIONS
- (045) NEUROLOGICAL EYE DISORDERS
- (046) OTHER DISORDERS OF THE EYE AGE >17 W CC
- (047) OTHER DISORDERS OF THE EYE AGE >17 W/O CC
- (048) OTHER DISORDERS OF THE EYE AGE <18
- (468) EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS

2	20
1	9
1	5
2	38
2	14
4	57
5	58
3	38
10	125
2	24
4	50
2	27

OUTLIER TRIM POINT
LOW HIGH

2	7
2	14
1	8
1	6
1	8
1	5
1	10
2	9
2	13
2	13
2	22
2	13
1	8
1	57
4	

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(476) PROSTATIC O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS
 (477) NON-EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL
 DIAGNOSIS
 (736) TRACHEOSTOMY OTHER THAN FOR MOUTH, LARYNX OR PHARYNX
 DISORDER

MAJOR DIAGNOSTIC CATEGORY 03: DISEASES AND DISORDERS OF THE
 EAR, NOSE, MOUTH, AND THROAT

(049) MAJOR HEAD & NECK PROCEDURES
 (050) SALOADENECTOMY
 (051) SALIVARY GLAND PROCEDURES EXCEPT SALOADENECTOMY
 (052) CLEFT LIP & PALATE REPAIR
 (053) SINUS & MASTOID PROCEDURES AGE >17
 (054) SINUS & MASTOID PROCEDURES AGE <18
 (055) MISCELLANEOUS EAR, NOSE, MOUTH & THROAT PROCEDURES
 (056) RHINOPLASTY
 (057) T&A PROC, EXCEPT TONSILLECTOMY &/OR ADENOIDECTOMY ONLY
 AGE >17
 (058) T&A PROC, EXCEPT TONSILLECTOMY &/OR ADENOIDECTOMY ONLY
 AGE <18
 (059) TONSILLECTOMY &/OR ADENOIDECTOMY ONLY, AGE >17
 (060) TONSILLECTOMY &/OR ADENOIDECTOMY ONLY, AGE <18
 (061) MYRINGOTOMY W TUBE INSERTION >17
 (062) MYRINGOTOMY W TUBE INSERTION <18
 (063) OTHER EAR, NOSE, MOUTH & THROAT O.R. PROCEDURES
 (064) EAR, NOSE, MOUTH & THROAT O.R. PROCEDURES
 (065) DYSEQUILIBRIUM
 (066) EPISTAXIS
 (067) EPIGLOTTITIS

OUTLIER TRIM POINT

LOW	HIGH
3	48
1	7
1	7
2	9
1	8
1	7
1	6
1	4
1	15
1	4
1	3
1	2
1	7
1	8
2	17
2	42
2	15
2	12
2	12
1	1

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(068)	OTITIS MEDIA & URI AGE >17 W CC	2	20
(069)	OTITIS MEDIA & URI AGE >17 W/O CC	2	12
(070)	OTITIS MEDIA & URI AGE <18	2	8
(071)	LARYNGOTRACHEITIS	1	9
(072)	NASAL TRAUMA & DEFORMITY	1	15
(073)	OTHER EAR, NOSE, MOUTH & THROAT DIAGNOSIS AGE >17	2	15
(074)	OTHER EAR, NOSE, MOUTH & THROAT DIAGNOSIS AGE <18	1	10
(168)	MOUTH PROCEDURES W CC	2	23
(169)	MOUTH PROCEDURES W/O CC	1	11
(185)	DENTAL & ORAL DISORDERS EXC EXTRACTIIONS & RESTORATIONS AGE >17	2	21
(186)	DENTAL EXTRACTIIONS & RESTORATIONS AGE <18	2	11
(187)	DENTAL EXTRACTIIONS & RESTORATIONS	1	8
(468)	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS	4	57
(476)	PROSTATIC O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS	5	58
(477)	NON-EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS	3	38
(735)	MOUTH, LARYNX OR PHARYNX DISORDERS WITH TRACHEOSTOMY	4	71
(736)	TRACHEOSTOMY OTHER THAN FOR MOUTH, LARYNX OR PHARYNX DISORDER	10	125
MAJOR DIAGNOSTIC CATEGORY 04: DISEASES AND DISORDERS OF THE RESPIRATORY SYSTEM			
		OUTLIER TRIM POINT	
		LOW	HIGH
(075)	MAJOR CHEST PROCEDURES	4	45
(076)	OTHER RESP SYSTEM O.R. PROCEDURES W CC	4	55
(077)	OTHER RESP SYSTEM O.R. PROCEDURES W/O CC	2	24
(078)	PULMONARY EMBOLISM	3	28
(079)	RESPIRATORY INFECTIONS & INFLAMMATIONS AGE >17 W CC	4	50
(080)	RESPIRATORY INFECTIONS & INFLAMMATIONS AGE >17 W/O CC	2	31
(081)	RESPIRATORY INFECTIONS & INFLAMMATIONS AGE <18	2	22

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